



Construction Policy Bulletin

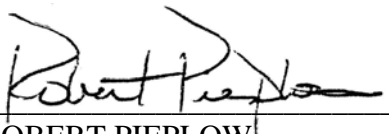
CPB 06-5 Contract Change Order Approval Delegation

References: *Standard Specification*
Construction Manual
Construction Manual
Construction Manual
Construction Manual
Memorandum

Section 4-1.03, "Changes"
Section 3-403, "Changes"
Section 5-311A, "Division of Construction Approval"
Section 5-311B, "District Approval"
Section 5-4, "Disputes"
"Construction Delegation of Authority," dated
January 18, 2006

Effective Date: November 20, 2006

Approved:


ROBERT PIEPLOW
Chief
Division of Construction

Approval Date: November 17, 2006

Background

The delegation of authority to approve contract change orders has been in existence since the 1990 version of the *Construction Manual*.

A contract change order is a revision or addition that is necessary to complete the work as originally contemplated. Regardless of delegation, districts may only proceed with contract change orders that are within the contract scope. Refer to Chapter 3, Section 4, "Scope of Work."

Existing Procedure

District construction personnel approve all contract change orders except those that require Division of Construction's approval, as described in Section 5-311A, "Division of Construction Approval," of the *Construction Manual*. District authority to approve contract change orders is subject to the limits defined in the construction delegation of authority memorandum to the district directors dated January 18, 2006.

Contract change orders on projects with federal funding conform to the additional requirements in Section 5-308, "Federal Highway Administration Contract Change Order Requirements," of the *Construction Manual*.

New Procedure

District construction personnel may approve all contract change orders, except those requiring the Division of Construction's approval. Division of Construction approval is required on the following types of contract change orders:

1. Any contract change order that has a total absolute value exceeding \$200,000.

Example:

A contract change order containing a \$50,000 decrease of items, a \$20,000 increase of items, and \$150,000 of extra work at force account would require Division of Construction approval ($|- \$50,000| + | \$20,000| + | \$150,000| = | \$220,000|$).

2. Any contract change order that increases the cost of anticipated supplemental work listed in the detail estimate by more than \$200,000.

Once any of the above cost thresholds are reached, each associated supplemental contract change order will also require Division of Construction approval.

3. Any change in the following:
 - a. Method of payment,
 - b. Method of materials processing,
 - c. Type or quality of materials to be furnished, excluding those for minor changes to building facilities contracts,
 - d. Proprietary material for which specific or blanket approval has not been previously received, or
 - e. Specifications, except as follows:
 - "Lane Requirements and Hours of Work" charts,
 - Addition of approved standard special provisions, or
 - Any editing of an approved standard special provision, in accordance with its instructions.
4. Any change resulting in a contract time adjustment of more than 19 working days or 10 percent of original working days, whichever is greater.
5. Any contract change order that compensates the contractor for field or home office overhead costs as the result of a final audit report issued by the Office of Audits and Investigations.

Before the contractor is allowed to commence work included in a non-delegated contract change order, the Division of Construction must approve the change order or grant prior authorization to proceed with the work associated with that change order.

District Approval Limitations

Districts may not delegate below the level of construction manager the "Approval Recommended" signatures on Division of Construction-approved contract change orders.

Only a region division chief or the deputy district director of construction may approve contract change orders for cost reduction incentive proposals. Approval authority is determined by considering each element of the cost reduction incentive proposal in the context of the delegation criteria listed above. Project engineer concurrence for all revisions of standard or project specific design elements is required prior to approving contract change orders to implement all cost reduction incentive proposals.

District approval of the following types of contract change orders may not be delegated below the level of a region construction division chief or district construction deputy director:

1. Project limit modifications,
2. Acceleration of the contract work through a decrease of contract time,
3. Order of work revisions, or
4. Revision of the contract staging requirements.

District approval of the following types of contract change orders may not be delegated below the level of construction manager:

1. Those that include deferred time,
2. "Lane Requirements and Hours of Work" charts,
3. Addition of approved standard special provisions,
4. Any editing of an approved standard special provision, in accordance with its instructions.

District approval of other types of contract change orders may not be delegated below the level of senior-level resident engineer or construction engineer. Within this delegation, senior-level resident engineers or construction engineers may be given written authority to approve contract change orders that increase the contract cost or approved supplemental work by up to \$50,000.

If you have any questions regarding this bulletin, please contact Michael Kissel, Chief, Office of Contract Administration by email at Michael_Kissel@dot.ca.gov at (916) 654-2467.